

Message Text

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ACTION EA-09

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AMEMBASSY TOKYO

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E.O.11652: N/A

TAGS: ETRD, CH

SUBJECT: PRC LIGHT INDUSTRY EXPORT PROBLEMS

1. SUMMARY. THE TALIEH BRANCH OF THE CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT AND EXPORT CORPORATION (LIGHT INDUSTRY) HAS HALTED SHIPMENTS OF WINDOW GLASS TO THE U.S. LIGHT INDUSTRY REP ASCRIBED THE CURTAILMENT TO INCREASED DOMESTIC DEMAND AND THE UNWILLINGNESS OF THE MANUFACTURERS TO SHIFT PRODUCTION TO MEET EXPORT REQUIREMENTS. END SUMMARY.

2. ON SEPTEMBER 28 USLO OFFICERS CALLED ON MR. LI HAO-JAN OF THE CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT AND EXPORT CORPORATION TO DISCUSS WITH HIM LIGHT INDUSTRY'S CESSATION OF WINDOW GLASS SHIPMENTS TO THE U.S. IN THE COURSE OF REASSURING USLO OFFICERS THAT THE FAULT LAY NEITHER WITH THE AMERICAN IMPORTER (NORMAN GOLDSTEIN ASSOCIATES, NEWSHORK) NOR WITH LIGHT INDUSTRY, LI PROVIDED SOME INTERESTING INSIGHTS INTO PROBLEMS THAT CONTINUE TO LIMIT PRC LIGHT

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INDUSTRIAL EXPORTS TO THE U.S.

3. IN A CONVERSATION UNUSUALLY FRANK AND SPECIFIC BY CHINESE STANDARDS, LI SAID THE FIRST SHIPMENT OF THE SPECIAL SIZED GLASS TO THE U.S. WAS UNACCEPTABLE ON TWO COUNTS. THE STANDARD PRC PAPERGLASS WAS TOO SMALL FOR THE U.S. MARKET AND THE GLASS ITSELF, PRODUCED IN TIENTSIN, DID NOT MEET THE TECHNICAL STANDARDS OF THE U.S. MARKET. PRODUCTION WAS SHIFTED TO A TALIAN FACTORY, WHICH WAS SUCCESSFUL IN PRODUCING THE REQUIRED SPECIAL SIZES OF GLASS CUT TO THE CLOSE U.S. SPECIFICATIONS AND SPECIALLY PACKED FOR SHIPMENT TO THE U.S.

4. FACED WITH A REORDER, SAID LI, THE TALIAN GLASS FACTORY BEGAN TO REGISTER ITS OBJECTIONS TO THE CONTINUED PRODUCTION OF THE SPECIAL SIZED GLASS, WHICH COULD ONLY BE ACHIEVED AT THE COST OF SUBSTANTIAL REDUCTION IN STANDARD SIZED GLASS PRODUCTION. LI ALSO NOTED THAT STANDARD SIZED GLASS, PRODUCED TO CHINESE RATHER THAN U.S. SPECIFICATIONS, COULD BE SUCCESSFULLY MARKED IN SE ASIA AND HONG KONG. ADDITIONALLY, DOMESTIC DEMAND HAD BEEN GROWING AND MUST BE GIVEN PRIORITY. AFTER CAREFUL REVIEW, THE OBJECTIONS OF THE FACTORY HAD PROVEN DECISIVE, AND SHIPMENTS TO THE U.S. HAD BEEN STOPPED FOR THE TIME BEING. LI ADDED THAT SINCE THE CANCELLATION OF U.S. SHIPMENT, DOMESTIC DEMAND HAD ASSUMED ADDITIONAL URGENCY FROM THE NEED TO REPAIR EARTHQUAKE DAMAGE. LI EMPHASIZED THAT ONLY WINDOW GLASS EXPORTS WOULD BE CURTAILED AND THAT LIGHT INDUSTRY WAS LOOKING FORWARD TO INCREASED SALES AT THE FALL CANTON FAIR.

5. COMMENT: SHIFTING OF EXPORTS FROM THE RELATIVELY UNDEMANDING MARKETS OF HONG KONG, SE ASIA AND AFRICA TO THE U.S. HAS PRODUCED MARKETING AND PACKAGING PROBLEMS FOR PRC PRODUCERS OF GOODS AS DIVERSE AS TEXTILES, CANNED FOODS, AND TOYS, PROBLEMS OFTEN ACCENTUATED BY A HIGH SECOND-COLUMN TARIFF ON PRC GOODS. FACTORY OBJECTIONS TO DIVERTING PRODUCTION LIMITED OFFICIAL USE

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EFFORT TO THE U.S. MARKET, HOWEVER, IS A NEW TWIST. THESE OBJECTIONS PROBABLY STEM FROM THE DESIRE OF THE TALIAN PLANT TO ACHIEVE A LARGER TOTAL PRODUCTION. STRONG DOMESTIC DEMAND AND THE AVAILABILITY OF EXPORT MARKETS IN SE ASIA FOR "SURPLUS" PRODUCTION WOULD MAKE THIS STAND MORE DEFENSIBLE VIS--VIS THE LIGHT INDUSTRY CORPORATION, AND MAY BE THE UNDERLYING RATIONALE FOR THIS UNUSUAL

RELUCTANCE TO EXPORT.

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